

**UMHLABUYALINGANA UMASIPALA WASEKHAYA  
UMHLABUYALINGANA LOCAL MUNICIPALITY**

**FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2011**

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**GENERAL INFORMATION**

Mayor	Cllr. T.S Mkhombo
Deputy Mayor	Cllr. M.N Nxumalo
Speaker	Cllr. N.S Mthembu
Exco Members	Cllr. N.S. Mthethwa Cllr. B.T. Tembe Cllr. M.S. Mabika Cllr. T.A Zikhali

**Grading of Municipality**

Medium Capacity Municipality

**Auditors**

The Auditor-General of South Africa  
Private Bag X9034  
PIETERMARITZBURG  
3200

**GENERAL INFORMATION** (continued)

**Bankers**

First National Bank of South Africa

**Registered office:** Municipal Building, Kwangwanase

**Physical address:** Main Street  
Manguzi

**Postal address:** Private Bag X 901  
KwaNgwanase  
3973

**Telephone Number:** 035 - 592 0680

**Fax Number:** 035 - 592 0672

**Municipal Manager**

Mr. S.E Bukhosini

**Chief Financial Officer**

Mr. S.M Ndlovu

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**REPORT OF THE AUDITOR-GENERAL OF SOUTH AFRICA**

**30 JUNE 2011**

The report of the Auditor-General will be inserted after the audit.

## **STATEMENT OF THE MUNICIPAL MANAGER'S RESPONSIBILITY**

### **UMHLABUYALINGANA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

Umhlabyalingana Municipality is situated at the Main Street of Manguzi Road, it is a Medium Capacity Municipality established in terms of section 12 (1) of the Municipal Structures Act, No.117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government Operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these financial statements, which are set out on page 1 to 39 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed on note 10 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of the Public Office Bearers and the Minister of Provincial and Local Government's determination in accordance with this act.

.....  
**Mr. S.E Bukhosini**  
**Municipal Manager**

**31 August 2011**  
**Date**

**UMHLABUYALINGANA MUNICIPALITY**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the year ended 30 June 2011

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009 so as the provision in circular 18 of 2005 issued by National Treasury, the municipality will be fully compliant with GRAP standards in 30 June 2011. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

## 1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

## 1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for the next 12 months.

## 1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005
GRAP 21	Impairment of Non-Cash-generating-assets - issued March
GRAP 23	Revenue from Non-Exchange Transactions - issued February
GRAP 24	Presentation of Budget Information - issued November 2007
GRAP 26	Impairment of Cash-generating-assets - issued March 2009
GRAP 103	Heritage Assets - issued July 2008
IAS 19	Employee Benefits - effective 1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July

## 2 PROPERTY, PLANT AND EQUIPMENT

### 2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.



## 2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. **Land** is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

## 2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure Assets</b>		<b>Other Assets</b>	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
<b>Community Assets</b>		Other vehicles	5 years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years
<b>Finance Lease Assets</b>			
Office equipment	4 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

## 2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118..

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **4 INVESTMENT PROPERTY**

##### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

##### **4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

#### **5 NON-CURRENT ASSETS HELD FOR SALE**

##### **5.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **5.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **6 FINANCIAL INSTRUMENTS**

### **6.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

### **6.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **6.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the

#### **6.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **6.2.3 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **6.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## **7 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **8 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **9 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **10 PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## **11 LEASES**

### **11.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

### **11.2 MUNICIPALITY AS LESSOR**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **12 REVENUE**

### **12.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

### **12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

### **12.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **13 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### **14 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

### **15 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 16 RESERVES

### 16.1. **Government Grant Reserve**

**16.1.1** When items of property, plant and equipment are financed from government grants, a transfer is be made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

**16.1.2** When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

### 16.2 **Capitalisation Reserve**

**16.2.1** On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

## 17 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

## 18 **TRANSITIONAL PROVISIONS**

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1	Presentation of Financial Statements - paragraphs 7-8A
GRAP 9	Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12	Inventories - paragraphs 45-52
GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets - paragraph
GRAP 102	Intangible Assets - paragraph 110-118



Umhlabuyalingana Local Municipality

Statement of financial position as at 30 June 2011

	Notes	2011 R	2010 R
<b>Assets</b>			
<b>Current assets</b>		<b>57 083 153</b>	<b>9 545 578</b>
Trade and other receivables	<a href="#">05</a>	1 120 964	425 568
Trade and Receivable from exchange transactions	<a href="#">04</a>	607 862	-
Vat receivable	<a href="#">03</a>	888 382	727 200
Cash and cash equivalents	<a href="#">06</a>	54 465 945	8 392 809
<b>Non-current assets</b>		<b>74 695 554</b>	<b>72 327 931</b>
Property, plant and equipment	<a href="#">01</a>	74 440 169	71 775 457
Intangible	<a href="#">02</a>	255 385	552 474
<b>Total assets</b>		<b>131 778 707</b>	<b>81 873 508</b>
<b>Net assets and liabilities</b>			
<b>Current liabilities</b>		<b>42 437 571</b>	<b>14 731 115</b>
Trade and other payables	<a href="#">09</a>	7 504 599	5 263 010
Unspent Conditional Grants	<a href="#">10</a>	32 038 447	8 537 513
Current portion of lease liability	<a href="#">29</a>	39 286	19 672
Provisions	<a href="#">11</a>	2 855 239	910 920
<b>Non- Current Liabilities</b>		<b>195 077</b>	<b>135 634</b>
Lease Liability	<a href="#">29</a>	195 077	135 634
<b>Net assets</b>		<b>89 146 058</b>	<b>67 006 761</b>
Accumulated surplus	<a href="#">07</a>	89 146 058	67 006 761
<b>Total net assets and liabilities</b>		<b>131 778 707</b>	<b>81 873 509</b>

Umhlabuyalingana Local Municipality

Statement of financial performance for the year ended 30 June 2011

	Notes	2011	2010
		R	R
<b>Revenue</b>			
Property rates	<a href="#">12</a>	1 652 976	-
Interest earned-Investment and Main bank	<a href="#">13</a>	973 995	275 486
Fines, licences and permits	<a href="#">15</a>	1 142 750	1 293 959
Government grants and subsidies	<a href="#">16</a>	49 144 441	54 275 042
Donations received	<a href="#">14</a>	104 386	-
Other revenue	<a href="#">17.1</a>	876 359	175 005
Rental revenue	<a href="#">17.2</a>	32 844	52 964
<b>Total Revenue (A)</b>		<b>53 927 750</b>	<b>56 072 456</b>
<b>Expenditure (classified by nature)</b>			
Employee related costs	<a href="#">18</a>	10 118 859	10 337 924
Councillor remunerations	<a href="#">19</a>	4 447 882	4 468 906
Contracted Services	<a href="#">20.1</a>	62 863	-
Depreciation	<a href="#">20.2</a>	3 580 768	914 457
Repairs and maintenance	<a href="#">21</a>	234 152	799 591
Provision for bad debt	<a href="#">04</a>	236 652	-
Leave Expense		197 878	179 073
Interest and Penalties		-	231 727
Administration and other expenses	<a href="#">22</a>	6 984 312	11 259 544
<b>Total Expenditure (B)</b>		<b>25 863 365</b>	<b>28 191 222</b>
<b>Surplus/(Deficit) for the year (A-B)</b>		<b>28 064 386</b>	<b>27 881 234</b>

UMHLABUYALNGANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2011							
	Donations and public contribution reserves	Government reserve	Grants	Capitalisation Reserves	Accumulated surplus/(deficit)	Revaluation reserve	Total
	R	R		R	R	R	R
Balance at 30 June 2010	15 038 057	25 601 191		11 268 039	(9 372 634)	-	42 534 653
Surplus for the year	-	-		-	27 881 234		27 881 234
Grants used to purchase PPE		21 365 441		372 268	(21 737 708)		-
Offsetting depreciation		(6 661)		(907 796)	914 457		-
Donations and Public ,Government grant and Capitalisation Reserve	(15 038 057)	(46 959 971)		(10 732 511)	72 730 538		-
Transfer to Accumulated Surplus							
Asset disposal	-	-		-	-		-
Current year adjustment					(349 810)		(349 810)
Correction of prior period arrers					(3 059 316)		(3 059 316)
Balance at 30 June 2010	-	-		-	67 006 761	-	67 006 761
Surplus for the year	-	-		-	28 064 386		28 064 386
Asset disposal	-	-		-	-	-	-
Prior year Adjustment and adjustment to accumulated surplus					(5 925 088)		(5 925 088)
	-	-		-	89 146 058	-	89 146 058

**UMHLABUYALNGANA LOCAL MUNICIPALITY**
**Cash flow statement for the year ended 30 June 2011**

	Note	2011	2010
		R	R
<b>Cash flow from operating activities</b>			
Cash received from consumers, government and other		51 489 315	56 072 456
Cash paid to suppliers and employees		(11 408 391)	(33 205 025)
<b>Cash generated from operations</b>	<b>31</b>	<b>52 995 520</b>	<b>23 781 888</b>
Dividends received			
Interest received		973 995	(275 486)
Interest paid			
<b>Net cash flow from operating activities</b>		<b>53 969 515</b>	<b>23 506 402</b>
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment		(2 664 711)	(21 716 321)
Proceeds on disposal of property, plant and equipment			
Additions to investment property			
Increase in investments		5 231 669	7 449 074
Increase in non-current receivables			
Decrease in call investment deposits			
<b>Net cash flow from investing activities</b>		<b>(7 896 380)</b>	<b>(14 267 247)</b>
<b>Cash flow from financing activities</b>			
Non-current liabilities raised			
Decrease in short-term loans			
<b>Net cash flow from financing activities</b>		<b>-</b>	
<b>Net cash flows for the year</b>		<b>46 073 135</b>	<b>9 239 155</b>
Cash and cash equivalents beginning of year		8 392 810	(846 346)
<b>Cash and cash equivalents end of year</b>		<b>54 465 945</b>	<b>8 392 810</b>



UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

01 Property Plant and Equipment

Year ended 01 July 2011

	Land and buildings	Infrastructure	Vehicles	Finance Leased Assets	Plant & Equipment	& Total
	R	R	R	R	R	R
Cost at the beginning of the year	24 705 923	47 618 075	807 203	162 783	3 407 489	76 701 473
Accumulated Depreciation	(2 943 203)	(5 840 158)	(378 927)	(8 139)	(1 468 749)	(10 639 176)
<b>Carrying amount at beginning of year</b>	<b>21 762 720</b>	<b>41 777 917</b>	<b>428 276</b>	<b>154 644</b>	<b>1 938 740</b>	<b>66 062 297</b>
Acquisitions	-	-	1 255 120	114 035	453 708	1 822 863
Capital Under Construction ( WIP )	8 261 981	-	-	-	-	8 261 981
Provision for Landfill Site	1 788 982	-	-	-	-	1 788 982
Disposals	-	-	-	-	-	-
Depreciation charge	(958 499)	(1 944 943)	(165 046)	(55 364)	(371 755)	(3 495 607)
<b>Carrying amount at end of year</b>	<b>30 855 185</b>	<b>39 832 974</b>	<b>1 518 350</b>	<b>213 316</b>	<b>2 020 693</b>	<b>74 440 169</b>

At 30 June 2011

<b>Carrying amount</b>	<b>30 855 185</b>	<b>39 832 974</b>	<b>1 518 350</b>	<b>213 316</b>	<b>2 020 693</b>	<b>74 440 169</b>
Cost at the end of the year	34 756 887	47 618 075	2 062 323	276 818	3 861 197	88 575 300
Accumulated depreciation	(3 901 702)	(7 785 101)	(543 973)	(63 503)	(1 840 504)	(14 134 783)

Disposal Analysis

Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
<b>Carrying Value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

02 INTANGIBLE ASSETS

	Cost / Valuation	2011 Accumulated Amortisation	Carrying Value	Cost / Valuation	2010 Accumulated Amortisation	Carrying Value
<b>Intangible Assets- Municipality</b>						
Computer Software	594 696	(254 150)	340 546	594 696	(28 743)	565 954

Reconciliation of intangible assets - 2011

	Opening balance	Addition	Amortisation	Total
Computer Software	340 546	-	(85 161)	255 385

Reconciliation of intangible assets - 2010

	Opening balance	Addition	Amortisation	Total
Computer Software	565 953	-	(13 480)	552 474

03 VAT RECEIVABLE

VAT receivable	<b>888 382</b>	<b>727 200</b>
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UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

04	Trade and Receivable from exchange transaction	Gross Balance R	Provision for doubtful Debts R	Net Balance R
	<u>Trade receivables</u>			
	as at 30 June 2011			
	Service debtors			
	Rates	844 514	(236 652)	607 862
	<b>Total</b>	<b>844 514</b>	<b>(236 652)</b>	<b>607 862</b>
	as at 30 June 2010			
	Service debtors			
	Rates	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

Rates: Ageing

	2011	2010
Current (0 – 30 days)	81 447	-
31 - 60 Days	78 052	-
61 - 90 Days	78 052	-
91 - 120 Days	70 611	-
121 - 365 Days	536 352	-
+ 365 Days	-	-
<b>Total</b>	<b>844 514</b>	

Summary of Debtors by Customer Classification

	Industrial / Commercial R'000	National and Provincial Government R'000
as at 30 June 2011		
Current (0 – 30 days)	38 558	42 888
31 - 60 Days	35 192	42 860
61 - 90 Days	35 192	42 860
91 - 120 Days	35 192	35 420
121 - 365 Days	279 846	256 506
+ 365 Days	-	-
Sub-total	<b>423 979</b>	<b>420 535</b>
Less: Provision for doubtful debts	(118 326)	(118 326)
<b>Total debtors by customer classification</b>	<b>305 653</b>	<b>302 209</b>

as at 30 June 2010

Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
121 - 365 Days	-	-
+ 365 Days	-	-
Sub-total	-	-
Less: Provision for doubtful debts	-	-
<b>Total debtors by customer classification</b>	<b>-</b>	<b>-</b>

05	Trade and other receivables	2011	2010
	Re-Imbursive overpayments	417 396	417 396
	MIG	-	-
	Other	6 863	1 820
	Debtors overpayment Cllrs	690 353	-
	Accrued Income	6 352	6 352
	<b>Total</b>	<b>1 120 964</b>	<b>425 568</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>06</b>	<b>Cash and Cash equivalent</b>	<b>2011</b>	<b>2010</b>
	Petty Cash	187	342
	Current account: First National Bank Hluhluwe branch	41 306 214	856 713
	Call account : First National Bank Hluhluwe branch	870 963	845 604
	Money Market account : First National Bank Hluhluwe branch	1 148 462	1 105 338
	Money Market account : First National Bank Hluhluwe branch	650 173	5 547 470
	32 Days Notice account : First National Bank Hluhluwe branch	10 451 193	-
	32 Days Notice account : Standard Bank Empangeni branch	14 875	14 444
	32 Days Notice account : Ned Bank Richards Bay	23 877	22 899
		<b>54 465 945</b>	<b>8 392 810</b>
<b>06.1</b>	<b>Current account (Primary Account)</b>		
	<b>First National Bank Hluhluwe branch - 6205236408</b>		
	Cash book balance at beginning of year	856 713	-
	Cash book balance at end of year	41 306 214	856 713
	Bank statement balance at beginning of year		
	Bank statement balance at end of year		
	<b>Call Account</b>		
	<b>First National Bank Hluhluwe branch - 62055161146</b>		
	Cash book balance at beginning of year	845 604	1040
	Cash book balance at end of year	870 963	845 604
	Bank statement balance at beginning of year	845 604	1 040
	Bank statement balance at end of year	870 963	845 604
	<b>Call Account</b>		
	<b>First National Bank Hluhluwe branch - 62217154351</b>		
	Cash book balance at beginning of year	1 105 338	16 285
	Cash book balance at end of year	1 148 462	1 105 338
	Bank statement balance at beginning of year	1 105 338	16 285
	Bank statement balance at end of year	1 148 462	1 105 338
	<b>Call Account</b>		
	<b>First National Bank Hluhluwe branch - 62266899825</b>		
	Cash book balance at beginning of year	5 547 470	-
	Cash book balance at end of year	650 173	5 547 470
	Bank statement balance at beginning of year	5 547 470	
	Bank statement balance at end of year	650 173	5 547 470
	<b>Call Account</b>		
	<b>First National Bank Hluhluwe branch - 74275256516</b>		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	10 451 193	-
	Bank statement balance at beginning of year	-	
	Bank statement balance at end of year	10 451 193	-
	<b>Call Account</b>		
	<b>Standard Bank - Empangeni Branch - 068824491</b>		
	Cash book balance at beginning of year	14 444	13 888
	Cash book balance at end of year	14 875	14 444
	Bank statement balance at beginning of year	14 444	13 888
	Bank statement balance at end of year	14 875	14 444
	<b>Call Account</b>		
	<b>Ned Bank - Richards Bay Branch - 28702097</b>		
	Cash book balance at beginning of year	22 899	-
	Cash book balance at end of year	23 877	22 899
	Bank statement balance at beginning of year	22 899	-
	Bank statement balance at end of year	23 877	22 899





UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

<b>07</b>	<b>Accumulated Surplus/Deficit</b>	<b>2011</b>	<b>2010</b>
	Accumulated surplus (deficit) at the beginning of the year	67 006 761	(9 372 634)
	Operating surplus (deficit) for the year	28 064 386	27 881 234
	Grants used to purchase PPE		(21 737 708)
	Appropriations for the year:-		
	Donations and Public, Government grant and Capitalisation Reserve Transfer to		
	Accumulated Surplus		72 730 538
	Prior year Adjustments	(5 925 088)	(3 409 126)
	<b>Accumulated Surplus / (deficit) before transfers</b>	<b>89 146 058</b>	<b>66 092 304</b>
	Depreciation	-	914 457
	<b>Accumulated surplus / (deficit) for the year</b>	<b>89 146 058</b>	<b>67 006 761</b>

<b>08</b>	<b>Long Term Liabilities</b>	<b>2011</b>	<b>2010</b>
	Long term portion for long term liability	-	-

<b>09</b>	<b>Trade and other Payables</b>	<b>2011</b>	<b>2010</b>
	Trade creditors	5 523 355	2 263 412
	Short term portion of long term liabilities	1 981 245	1 320 830
	Long term liabilities	-	660 415
	Leave accrued to former employees	-	179 073
	Jozini mpra	-	526 232
	Accrued expenses	-	101 787
		<b>7 504 599</b>	<b>5 051 749</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>10</b>	<b>Unspent Conditional Grants</b>	<b>2011</b>	<b>2010</b>
	<b>National Government Grants Capital</b>		
	<b>Municipal Infrastructure</b>		
	Opening balance	2 548 316	-
	Add receipt during the year	16 238 000	19 709 142
	Less transfer to operating income	(8 669 129)	(17 160 826)
	Closing balance	<u>10 117 188</u>	<u>2 548 316</u>
	<b>Department of Energy : Electricity</b>		
	Opening balance	-	-
	Add receipt during the year	9 000 000	-
	Less transfer to operating income	-	-
	Closing balance	<u>9 000 000</u>	<u>-</u>
	<b>National Government Grants Operating</b>		
	<b>Municipal Systems improvement Grant</b>		
	Opening balance	124 621	43 275
	Add receipt during the year	750 000	735 000
	Less transfer to operating income	(778 703)	(653 653)
	Closing balance	<u>95 918</u>	<u>124 622</u>
	<b>Financial Management Grant</b>		
	Opening balance	1 512 124	585 735
	Add receipt during the year	1 200 000	1 740 000
	Less transfer to operating income	(1 383 332)	(813 611)
	Closing balance	<u>1 328 792</u>	<u>1 512 124</u>
	<b>Provincial Government Grants Capital</b>		
	<b>Project Consolidate Manguzi</b>		
	Opening balance	665 669	3 300 000
	Add receipt during the year	-	-
	Less transfer to operating income	-	(2 634 331)
	Closing balance	<u>665 669</u>	<u>665 669</u>
	<b>Department of Sport</b>		
	Opening balance	809 868	375 000
	Add receipt during the year	-	913 500
	Less transfer to operating income	-	(478 614)
	Closing balance	<u>809 868</u>	<u>809 886</u>
	<b>Project Consolidate Khiphimbazo</b>		
	Opening balance	213 345	213 345
	Add receipt during the year	-	-
	Less transfer to operating income	-	-
	Closing balance	<u>213 345</u>	<u>213 345</u>
	<b>Urban Development Grant</b>		
	Opening balance	907 195	907 195
	Add receipt during the year	-	-
	Less transfer to operating income	-	-
	Closing balance	<u>907 195</u>	<u>907 195</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>COGTA: Small town rehabilitation</b>	<b>2011</b>	<b>2010</b>
Opening balance	-	-
Add receipt during the year	6 500 000	-
Less transfer to operating income	(761 414)	-
Closing balance	<u>5 738 586</u>	<u>-</u>
<b>Provincial Government Grants Operating Spatial Development</b>		
Opening balance	43 000	43 000
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>43 000</u>	<u>43 000</u>
<b>DBSA Technical Director</b>		
Opening balance	-	213 414
Add receipt during the year	-	-
Less transfer to operating income	-	(213 414)
Closing balance	<u>-</u>	<u>-</u>
<b>Library Grant</b>		
Opening balance	22 500	19 725
Add receipt during the year	1 415 807	90 000
Less transfer to operating income	(1 084 098)	(87 225)
Closing balance	<u>354 209</u>	<u>22 500</u>
<b>Manzengwenya Project</b>		
Opening balance	7 500	7 500
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>7 500</u>	<u>7 500</u>
<b>Phelandaba Development Grant</b>		
Opening balance	364 600	625 000
Add receipt during the year	-	48 106
Less transfer to operating income	-	(308 506)
Closing balance	<u>364 600</u>	<u>364 600</u>
<b>Nhlange Lake Restaurant</b>		
Opening balance	5 600	5 600
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>5 600</u>	<u>5 600</u>
<b>KwaTembe Concrete Project</b>		
Opening balance	86 111	86 111
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<u>86 111</u>	<u>86 111</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>Municipal Assistance Programme</b>	<b>2011</b>	<b>2010</b>
Opening balance	758 263	950 000
Add receipt during the year	-	-
Less transfer to operating income	(193 777)	(191 737)
Closing balance	<b>564 486</b>	<b>758 263</b>

<b>Mbazwana and Manguzi Hubs</b>		
Opening balance	160 000	160 000
Add receipt during the year	-	-
Less transfer to operating income	-	-
Closing balance	<b>160 000</b>	<b>160 000</b>

<b>COGTA: Ground Nuts</b>		
Opening balance		-
Add receipt during the year	2 000 000	-
Less transfer to operating income	(523 619)	-
Closing balance	<b>1 476 381</b>	-

<b>Land Use Management Grant</b>		
Opening balance	100 000	100 000
Receipt during the year	-	-
Transfer to operating income	-	-
Closing balance	<b>100 000</b>	<b>100 000</b>

<b>Grants from District Municipality</b>		
<b>DC 27 Shared Services</b>		
Opening balance	208 880	
Add receipt during the year	-	208 800
Less transfer to operating income	(208 880)	
Closing balance	<b>-</b>	<b>208 800</b>

<b>TOTAL UNSPENT GRANTS</b>	<b>32 038 447</b>	<b>8 537 531</b>
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<b>11 Current Provisions</b>		
Landfill Sites	2 255 354	466 372
Staff Leave provision	599 885	444 548
	<b>2 855 239</b>	<b>910 920</b>

<b>12 Property Rates</b>	<b>2011</b>	<b>2010</b>
The Valuation came into effect on:	01/07/2010	
<b>Rebates</b>		
Agricultural Properties	75%	-
Pensioners	75%	-
Public Benefit Organisation	75%	-
Sporting Bodies	75%	-
Developed residential properties Value of R 55 000 and less		

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

	2011	2010
<b>Rebate on Phasing in</b>		
Business, commercial and Industries	75%	-
Agricultural properties	75%	-
State Trust Land	75%	-
State owned properties	75%	-
Public infrastructure	75%	-

<b>Income for gone</b>		
Residential properties		-

<b>Actual Revenue Recognises</b>		
Business, Commercial and Industrial.	467 200	-
State owned properties	833 450	-
State trust Land	337 084	-
Agricultural	15 242	-
<b>Total property rates</b>	<b>1 652 976</b>	<b>-</b>

<b>Valuations (01 July 2009 to 30 June 2013)</b>		
Business, Commercial and Industrial.	93 440 000	93 440 000
State owned properties	177 205 000	177 205 000
State trust Land	67 349 976	67 349 976
Agricultural	93 548 528	93 548 528
<b>Total property Valuations</b>	<b>431 543 504</b>	<b>431 543 504</b>

<b>13 Interest earned - External Investments</b>		
Banks	973 995	275 468
Other	-	-
	<b>973 995</b>	<b>275 468</b>

<b>14 Donation Received</b>		
Donation received	104 386	-
	<b>104 386</b>	<b>-</b>

<b>15 Fines, Licences and Permits</b>		
Traffic Fines	41 900	47 600
Learns Licence income	1 100 850	1 246 359
	<b>1 142 750</b>	<b>1 293 959</b>

<b>16 Government grants and Subsidies</b>	<b>2011</b>	<b>2010</b>
Equitable Share	35 750 369	29 184 792
MIG	8 669 129	17 160 826
Financial Management Grant	1 383 332	813 611
Municipal Systems Improvement Grant	778 703	653 653
DBSA technical director	-	213 413
Library Grant	1 084 098	87 225
Phelandaba Development	-	308 506
Municipal Assistant Programme	193 777	191 737
Project consolidated Manguzi Roads	-	2 634 331
Department of Sport (Sport Ground)	-	478 632
Small Town Rehabilitation	761 414	-
Ground Nuts	523 619	-
	<b>49 144 441</b>	<b>51 726 726</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

17 Rental revenue and other revenues

17.1 Other Revenue	2011	2010
Library income	3 132	745
Tender Monies	25 239	5 000
Sundry income	847 987	169 260
	<u>876 359</u>	<u>175 005</u>

17.2 Rental Revenue

IEC	20 343.75	18 964
Parkhomes	12 500.00	19 000
Boston Ink	-	15 000
	<u>32 843.75</u>	<u>52 964</u>

18 Employee Related Cost

Remuneration to the Municipal Manager

Annual remuneration	514 160	508 364
Performance bonus	-	-
Re-imbursive Travel	41 989	-
Cellphone allowance	15 300	13 200
Less cost included in other expenses	(41 989)	-
Uif & sdl contribution	6 170	4 388
	<u>535 630</u>	<u>525 952</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	384 957	249 565
Performance bonus	-	-
Re-imbursive Travel	6 043	-
Cellphone allowance	5 500	6 600
Less cost included in other expenses	(6 043)	-
Uif contribution	3 232	2 872
	<u>393 690</u>	<u>259 037</u>

Remuneration of Director Corporate Services

Annual remuneration	244 462	436 882
Performance bonus	-	-
Re-imbursive Travel	1 458	-
Cellphone allowance	5 500	13 200
Less cost included in other expenses	(1 458)	-
Uif contribution	1 962	5 476
	<u>251 924</u>	<u>455 558</u>

Remuneration of Director Community Services

Annual remuneration	280 069	459 876
Performance bonus	-	-
Re-imbursive Travel	1 638	-
Cellphone allowance	7 700	13 200
Less cost included in other expenses	(1 638)	-
Uif contribution	3 837	5 434
	<u>291 606</u>	<u>478 510</u>

Remuneration of Director Technical Services

Annual remuneration	339 452	254 651
Performance bonus	-	-
Re-imbursive Travel	-	-
Cellphone allowance	8 800	13 200
Less cost included in other expenses	-	-
Uif contribution	4 606	1 957
	<u>352 858</u>	<u>269 808</u>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>Remuneration for Director Local Economic Development</b>		<b>2011</b>	<b>2010</b>
Annual remuneration	-	273 172	
Performance bonus	-	-	
Re-imbursive Travel	-	-	
Cellphone allowance	-	7 700	
Less cost included in other expenses	-	-	
Uif contribution	-	3 123	
	-	<b>283 995</b>	
<b>Remuneration of Staff Members</b>			
Salaries and Wages	6 622 997	9 030 948	
13th Cheque bonus	484 376	487 750	
Overtime	20 789	55 185	
Subsistence and Travelling	62 658	600 939	
Contributions: UIF	121 869	-	
: Group Life	114 997	-	
: SDL	115 385	-	
: Medical Aid	227 027	764 041	
: Pension	585 711	-	
Less cost included in other expenses	(62 658)	(600 939)	
	<b>8 293 151</b>	<b>10 337 924</b>	
<b>19 Remuneration of councillors</b>			
Mayor's allowance	274 465	277 097	
Deputy mayor's allowance	176 227	223 672	
Speaker's allowance	217 962	223 672	
Exco allowance	601 894	630 945	
Councillors allowance	3 177 335	3 113 520	
	<b>4 447 882</b>	<b>4 468 906</b>	
<b>20 Contracted Services and Depreciation</b>			
<b>Contracted Services</b>			
20.1 Contracted Services	62 863	55 557	
	<b>62 863</b>	<b>55 557</b>	
20.2 Depreciation			
Property, Plant & Equipment	3 580 768	922 595	
	<b>3 580 768</b>	<b>922 595</b>	
<b>21 Repairs and Maintenance</b>			
Computers	41 126	31 998	
Financial system	26 664	64 714	
Buildings	52 243	132 451	
Municipal accommodation	1 041	28 568	
Municipal access roads	-	252 147	
Vehicles	78 141	132 451	
Civil and engineering	34 937	157 262	
	<b>234 152</b>	<b>799 591</b>	



UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

<b>22</b>	<b>Administration Expenses</b>		
	Advertising	136 921	112 356
	Youth day, Civic, Grants & donations, Poverty, Schools programme	-	140 019
	Committee expense	33 919	185 993
	Entertainment and Function	-	37 485
	Public participation	7 080	88 080
	Audit committee Fees	147 605	51 083
	External Audit	868 356	763 927
	Internal Audit	337 502	484 362
	Skills Development Levies	129 522	128 090
	Substance and Travel	199 449	654 560
	Cellphone expense	18 000	56 000
	Bank Charges	20 905	58 231.86
	Printing and Stationery	209 447	203 986.44
	Interest Expense	59 547	231 000.00
	Rental software	292 471	228 551.20
	Financial Management	33 882	583 191
	Property rates	20 685	180 000
	Insurance	101 796	356 987
	Legal Fees	1 026 544	868 214
	Membership and Subscription	107 205	76 000
	Postage and telephone	387 688	523 524
	Trainings	120 551	95 075
	office machine rental	103 358	228 344
	Security	543 442	634 920
	HR Systems Plan	54 702	90 000
	Cleaning Expenses	50 212	42 504
	Website	17 809	15 471
	Water and Electricity	161 308	118 427
	Map	169 980	191 737
	PMU	61 782	-
	Conferences	12 753	3 000
	Uniform	475	576
	Books/Periodicals	3 745	-
	Refuse removal	135 660	294 364
	Fuel and Oil	249 811	227 456.76
	Transit costs	37 574	25 036.16
	Traffic establishment	-	291 106.95
	Consultant Fees	-	719 299.09
	Free Basic energy	-	534 455.00
	Sport and recreation	-	438 366.56
	Vat Specialist	-	629 299.09
	Performance Management	-	95 075.00
	Card Production	81 148	38 937.81
	IDP review	15 766	534 455.00
	Settlement fees	349 647	-
	Ground Nuts	39 197	-
	<b>Total</b>	<b>6 347 444</b>	<b>11 259 544</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

23	<b>Capital Commitment</b>	<b>2011</b>	<b>2010</b>
	Manguzi Road	-	665 669
	Manaba Sport field	809 868	-
	Municipal Council Chamber	3 970 002	-
	Mbazwana Town Services	7 136 923	-
	Traffic Station	1 922 565	-
	Mahlakwe Community Hall	55 744	-
	Bhekabantu Community Hall	263 216	-
	Electricity Project	9 000 000	-
	<b>Total</b>	<b>23 158 319</b>	<b>665 669</b>
24	<b>Fruitless &amp; Wasteful Expenditure</b>		
	<b>Reconciliation of fruitless and wasteful expenditure</b>		
	Opening balance	5 472 925	11 458
	Fruitless and wasteful expenditure current year	-	5 461 467
	Condoned or written off by Council	-	-
	Waiting for recovery	<b>5 472 925</b>	<b>5 472 925</b>
25	<b>Reconciliation of irregular expenditure</b>		
	Opening balance	10 380 889	7 552 187
	Irregular expenditure current year	-	2 506 358
	Irregular expenditure ( One Director is the employee of the Municipality)	-	322 344
	Condoned or written off by Council	-	-
	Waiting for recovery	<b>10 380 889</b>	<b>10 380 889</b>
26	<b>ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
26.1	<b>Audit Fess</b>		
	Opening Balance	-	-
	Current year audit fees	868 356	1 251 722
	Amount paid	<b>(868 356)</b>	<b>(1 251 722)</b>
	Balance unpaid (included in payables)	-	-
26.2	<b>PAYE, UIF and SDL</b>		
	Opening balance	-	-
	Current year payroll deduction	2 501 930	2 571 276
	Amount paid- current year	<b>(2 461 684)</b>	<b>(2 571 276)</b>
	Balance unpaid ( included in payables)	<b>40 345.62</b>	-
26.3	<b>Pension and Medical Aid Deductions</b>		
	Opening balance	-	-
	Current year payroll deduction and Council Contribution	1 208 819	1 084 530
	Amount paid - current year	<b>(1 208 819)</b>	<b>(1 084 530)</b>
	Balance unpaid ( included in payables)	-	-

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

26.4 Deviation for Supply Chain Management

	Reason for deviation	2011 Amount R	2010 Amount R
<b>Suppliers</b>	Fire was burning in the distribution board.	2 907	-
Ensemble Trading	Software did not work as a result of Viruses .	17 992	-
Gijima Technologies	Contracted Security Company were suspended for investigation and municipal properties were to be secured, Amalawu security service were appointed on the temporal basis.	51 500	-
Amalawu Security Service	Project Manager was suspended and New project Manager were to be appointed of carry on with project management of all the project.	822 374	-
Anderson and Vogt Projected Managers	Seethal was appointed as a legal representative of the municipality	730 484	-
Seethal Attorneys			

27 **Employee Benefits**

The Municipal employees belong to Natal Joint Municipal Pension Fund and Municipal Council Pansion Fund, contributed amounts are paid over to the above mentioned Institutions, the Municipality has no contribution or liability after the Employee has left the Municipality.

28 **Correction of prior period errors**

	2011	2010
The comparatives for 2011-10 have been restated in respect of the following :-		
<b>28.1 Error arising in accounting for unspent condition grant (MIG)</b>	-	(58 697)
<b>Mig unspent grant as previously reported</b>	-	(1 560 954)
Differences between MIG records Vs AFS 2007/08	-	(471 023)
Musas Construction NOR exhausted	-	(7 222)
Interest for sun set beach Trading	-	(7 602)
Interest for sun set beach Trading	-	18 207
Under claim from contractor Scenic Route	-	3 439
Under claim from the contractor Musas Construction	-	(64 671)
Ziyenzeka Trading NOR exhausted	-	(245 910)
KwaNgwanase road defference on expenditure claim	-	(153 884)
Council chamber defference on expenditure claim	-	<b>(2 548 316)</b>
<b>Restated balance at 30 June 2010</b>		

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

	2011	2010
<b>28.2 Error arising in accounting for VAT</b>		
VAT as previously reported	-	1 308 584
Vat set off accumulated surplus	-	(581 537)
<b>Restated balance at 30 June 2010</b>	<b>-</b>	<b>727 047</b>

<b>28.3 Error arising in accounting for Accrued Creditors</b>		
Sundry creditors previously reported	-	(2 944 950)
Lease rental July 2010	-	5 575
Mig Liability to constructors	-	(18 207)
Mig Liability to constructors	-	(3 439)
James Construction not provided on the creditors	-	(48 435)
Jozini not raised as creditor at year end 2010	-	(10 509)
Sita not raised as a creditor at year end 2010	-	(5 660)
<b>Restated balance at 30 June 2010</b>	<b>-</b>	<b>(3 025 624)</b>

<b>28.4 Error arising in accounting for Accumulated depreciation</b>		
Accumulated depreciation previously reported	-	4 444 088
Back log depreciation	-	5 925 088
	<b>-</b>	<b>10 369 176</b>

29 FINANCE LEASE LIABILITY

2011	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
<b>Amounts payable under finance leases</b>			
Within one year	100 344	61 058	39 286
Within two to five years	331 540	136 463	195 077
	431 884	197 520	<b>234 364</b>
Less: Amount due for settlement within 12 months (current portion)			39 286
			<b>195 077</b>

The average lease term is 5 years and the average effective borrowing rate is 2.4%.

2010	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
<b>Amounts payable under finance leases</b>			
Within one year	55 632	35 960	19 672
Within two to five years	208 620	72 986	135 634
	264 252	108 946	<b>155 306</b>
Less: Amount due for settlement within 12 months (current portion)			19 672
			<b>135 634</b>

The average lease term is 5 years and the average effective borrowing rate is 2%.

30 CONTINGENT LIABILITY

The Municipality is involved in a civil case against Manqele and Luthuli. The council is contesting the claim based on the legal advice.

2011	2010
<b>200 000.00</b>	<b>-</b>

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

UMHLABUYALINGANA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 ( Continued )

31	<b>Note to the cashflow statement</b>	<b>2011</b>	<b>2010</b>
	Deficit for the year	22 139 297	27 881 234
	adjustment for depreciation	3 580 768	914 457
	interest income	973 995	275 486
	finance cost	-	-
	changes in working capital	-	-
	inventory	-	-
	other debtor	(695 396)	(232 530)
	prepayment	-	-
	consumer debtor	(607 862)	-
	vat receivable	(161 182)	(655 979)
	trade an other payable	2 320 647	4 136 751
	vat payable	-	-
	unspent grant	23 500 934	(8 537 531)
	provisions	1 944 319	-
	taxes payable	-	-
		<b>52 995 520</b>	<b>23 781 888</b>





































**UMHLABUYALINGANA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

	2011	Actual	R	2011	Budget	R	2011	Variance	%	Explanation of Significant Variance greater than 10 % versus Budget
<b>REVENUE</b>										
Property rates		1 652 976			994 000			658 976	66%	Estimate was incorrectly calculated
Interest earned		973 995			762 570			211 425	28%	High percentage of investment of conditional grants.
Donations received		104 386			-			104 386	0%	
Fines, licences and permits		1 142 750			937 730			205 020	22%	More booking then estimated.
Government grants and subsidies		49 144 441			79 168 004			-30 023 563	-38%	Conditional Grant were not spent
Other revenue		876 359			15 000			861 359	5742%	Income recognised from overpayment made to councillors.
Rental revenue		32 844			39 815			-6 971	-18%	Tenant did pay their account in full.
		<b>53 927 750</b>			<b>81 917 119</b>			<b>-27 989 369</b>		
<b>Expenditure</b>										
Employee related costs		10 118 859			12 683 092			-2 564 233	-20%	Resignation of two Senior Manager, and general staff position not field.
Councillor remunerations		4 447 882			5 067 427			-619 545	-12%	Some councillors were expelled and Increments were not paid to Cllr
Contracted Services		62 863			93 952			-31 089	-33%	
Depreciation		3 580 768			915 000			2 665 768	291%	Back log depreciation as result of unbundling of assets.
Repairs and maintenance		234 152			324 780			-90 628	-28%	
Bad Debt		236 652								First time for bad debts provision and there was not basis to calculate this
					50 000			186 652	373%	provision
Leave provision		197 878			770 722			-572 844	-74%	The staff was forced to take leave to reduce the liability
Administration and other expenses		6 984 312			15 702 437			-8 718 125	-56%	Moratoruim (by sec 139 of the constitution)
		<b>25 863 365</b>			<b>35 607 410</b>			<b>-9 744 045</b>		
		<b>28 064 386</b>			<b>46 309 709</b>			<b>-18 245 323</b>		

**UMHLABUYALINGANA MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**ACTUAL VERSUS BUDGET - ACQUISITION OF PROPERTY PLANT AND EQUIPMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

DEPARTMENT	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variance Greater than 10% versus Budget
Financial Services	336 187	-	336 187	1 370 000	1 033 813		The project under this department were committed but the service providers have not yet invoice the municipality.
Technical Services	1 788 982	8 261 981	10 050 963	30 565 161	20 514 198		Most of the projected were not implemented as a result of difficulties experience with project Managers and were move to the next financial year for implementation.
Community Services	1 320 347	-	1 320 347	2 853 868	1 533 521		The Municipal skip were not delivery as per the plan which had a large sum of budget in community services.
Traffic Services	118 617	-	118 617	125 000	6 383	5%	
Library Services	47 713	-	47 713	50 000	2 287	5%	
Local Economic Development	-	-	-	6 500 000	6 500 000		The project was delayed and was not 100% implemented in the financial year in question
	<b>1 486 676</b>	<b>8 261 981</b>	<b>11 873 826</b>	<b>41 464 029</b>	<b>29 590 203</b>		

**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**Appendix A**

**Schedule of External Loans as at 30 June 2011**

<b>External Loans</b>	<b>Loan Number</b>	<b>Redemption Date</b>	<b>Balance at 30/06/2010</b>	<b>Lease obligation initiated</b>	<b>Redeemed/ written off during the</b>	<b>Interest</b>	<b>Balance at 30/06/2010</b>
	-	-	-	-	-		-
Finance Lease Liability	Africio MPC6000 Copier	2015/01/03	155 306	-	55 644	35 960	135 622
Finance Lease Liability	Siemens PABX HIPATH 3550	2015/01/06	-	114 035	38 880	23 587	98 742
<b>TOTAL EXTERNAL LOANS</b>			<b>155 306</b>	<b>114 035</b>	<b>94 524</b>	<b>59 547</b>	<b>234 364</b>



**UMHLABUYALINGANA LOCAL MUNICIPALITY**

**Appendix B**

**Analysis of Property Plant and Equipment as at 30 June 2011**

Description	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	658 992	1 788 982		-	2 447 975					2 447 975
Buildings	25 837 487	-	31 304 886	-	57 142 373	2 952 423	958 499	-	3 910 921	53 231 452
	<b>26 496 480</b>	<b>1 788 982</b>	<b>31 304 886</b>		<b>59 590 348</b>	<b>2 952 423</b>	<b>958 499</b>		<b>3 910 921</b>	<b>55 679 426</b>
<b>Infrastructure</b>										
Municipal Roads	19 517 169		-	-	19 517 169	5 840 262	1 944 978	-	7 785 240	11 731 929
Water Supply & Reculation	3 335 364		-	-	3 335 364	-	-	-	-	3 335 364
	<b>22 852 533</b>	<b>-</b>			<b>22 852 533</b>	<b>5 840 262</b>	<b>1 944 978</b>	<b>-</b>	<b>7 785 240</b>	<b>15 067 293</b>
<b>Community Assets</b>										
Sport Grounds	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Other</b>										
Plant and Equipment	3 934 263	453 708	-	-	4 387 971	1 713 681	456 882	-	2 170 562	2 217 409
Financed Leased Assets	162 783	114 035			276 818	8 139	55 364		63 503	213 316
Vehicles	807 203	1 255 120	-	-	2 062 323	379 166	165 046	-	544 212	1 518 110
	<b>4 904 249</b>	<b>1 822 863</b>	<b>-</b>	<b>-</b>	<b>6 727 112</b>	<b>2 100 986</b>	<b>677 291</b>	<b>-</b>	<b>2 778 277</b>	<b>3 948 835</b>
	<b>54 253 262</b>	<b>3 611 845</b>	<b>31 304 886</b>	<b>-</b>	<b>89 169 992</b>	<b>10 893 671</b>	<b>3 580 768</b>		<b>14 474 438</b>	<b>74 695 554</b>

Umhlabuyalingana Local Municipality  
Appendix C  
Segmental Analysis of Property Plant and Equipment as at 30 June 2011

Description	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Technical	49 349 012	1 788 982			51 137 995	8 792 685	2 903 476		11 696 161	
Finance and Admin	4 741 466	1 708 828	31 304 886	-	37 755 179	2 092 847	621 928		2 714 775	35 040 405
Community and Social Serv	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54 090 478</b>	<b>3 497 810</b>	<b>31 304 886</b>	<b>-</b>	<b>88 893 174</b>	<b>10 885 532</b>	<b>3 525 404</b>	<b>-</b>	<b>14 410 936</b>	<b>74 482 238</b>

**UMHLABUYALINGANA LOCAL MUNICIPALITY**  
**APPENDIX D**  
**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

Actual Income 2011	Actual expenditure 2011	Surplus / (Deficit) 2011		Actual Income 2010	Actual expenditure 2010	Surplus / (Deficit) 2010
R	R	R		R	R	R
<b>53 927 751</b>	<b>25 863 365</b>	<b>28 064 386</b>	<b>Departments</b>	<b>56 072 457</b>	<b>28 191 223</b>	<b>27 881 234</b>
-	4 536 567	(4 536 567)	Executive & Council	-	5 183 842	(5 183 842)
36 428 051	2 958 910	33 469 142	Management	29 838 445	7 741 237	22 097 209
5 315 558	6 508 939	(1 193 381)	Finance	1 508 058	5 181 219	(3 673 161)
-	4 600 182	(4 600 182)	Corporate Services	-	2 619 067	(2 619 067)
8 669 129	2 271 835	6 397 294	Technical	22 865 393	2 046 530	20 818 863
1 142 750	902 819	239 931	Traffic Department	-	-	-
1 087 231	949 210	138 020	Library	87 970	738 188	(650 218)
-	2 415 186	(2 415 186)	Community Services	1 772 591	3 714 702	(1 942 112)
1 285 032	719 718	565 315	Local Economic Development	-	966 438	(966 438)
-	-	-	<b>Subsidised Services</b>	-	-	-
-	-	-	<b>Economic Services</b>	-	-	-
-	-	-	<b>Trading Services</b>	-	-	-
<b>53 927 751</b>	<b>25 863 365</b>	<b>-</b>	<b>Total</b>	<b>56 072 457</b>	<b>28 191 223</b>	<b>27 881 234</b>